

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 1997-239-C - ORDER NO. 2006-335

JULY 3, 2006

IN RE: Proceeding to Establish Guidelines for an Intrastate Universal Service Fund) ORDER ISSUING) DECLARATORY) RULING
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This matter comes before the Public Service Commission of South Carolina (the Commission) on the Petition of the Office of Regulatory Staff (ORS) for an Order clarifying state Universal Service Fund (USF or Fund) Guidelines and a Request for Expedited Relief. Further, ORS has filed a Motion for Expedited Review. Responses to the Petition were received from numerous parties to the Docket, including one response in the form of a Petition from South Carolina Cable Television Association (SCCTA), which raises issues in addition to those raised by ORS. Basically, there is no opposition to the original ORS Petition, but several points in opposition have been raised with regard to the SCCTA Petition. Because of these factors, we grant the ORS Motion for Expedited Review of its Petition and will proceed to rule on it. We hold the SCCTA Petition in abeyance at this time.

The ORS Petition states that pursuant to Order No. 2005-7 issued January 11, 2005, in this Docket, the Commission designated ORS as the Administrator of the South Carolina Intrastate Universal Service Fund. The Commission originally set the guidelines for Fund administration in Order No. 2001-996. Based on the experience gained from

administering the Fund for the past fourteen months, ORS states that it has identified certain issues that require clarification. The audits conducted by ORS show that companies are interpreting the guidelines differently. Specifically, there appears to be some confusion as to what types of revenues should be included for Fund assessment. ORS seeks an expedited ruling, as it plans to make adjustments to the Fund in the May-June 2006 time frame in preparation for the annual October 1, 2006, fund resizing. Through its Petition for Declaratory Order, ORS seeks clarification of certain issues that are affecting the Fund administration and will impact any adjustments to the Fund.

The issues that require clarification are as follows: (1) whether international revenues should be included in the intrastate USF assessment; (2) whether under current Commission orders, broadband and wireless services revenues should be included in the intrastate USF assessment; (3) whether revenues from directory listings, surcharges assessed to recover Federal USF charges, and revenues from the provision of special access services to retail end users should be included in the intrastate USF assessment; (4) how the end user USF surcharges should be assessed to services provided to Lifeline recipients; and (5) whether the ORS has the authority to write off uncollectible debts.

The first issue concerns whether revenue from international calls that originate and/or terminate with a South Carolina end user should be included in the intrastate USF assessment. ORS seeks a declaratory ruling that such revenue should not be included in the intrastate USF assessment. We agree with the ORS position and so declare. Our Order No. 2001-996 promulgated the original guidelines for USF administration. Although, Exhibit A, page 4 stated that “all telecommunications carriers offering services within the

state shall contribute to the USF on the basis of their relative shares of all retail ‘end user’ telecommunications revenues generated by and/or billed to an end user in the State of South Carolina,” page 2, Exhibit B to that same Order was more specific. That portion of the Guidelines stated that end user retail telecommunications revenues included both interstate and intrastate generated by and/or billed to an end user in South Carolina. The Commission did not expressly include international calls that originated and/or terminated to an end user located in South Carolina. Since the present guidelines do not include revenues from international calls, we agree with ORS’s position and so declare that such revenue should not be included in the intrastate USF assessment.

The second issue is whether, under current Commission orders, wireless and broadband revenues should be included for assessment purposes. We declare that such revenues should not be so included. While the General Assembly has given the Commission the opportunity pursuant to S.C. Code Ann. Section 58-9-280 (E) (3) and (9) to include wireless and broadband revenues within the Fund, the Commission has not determined that these two services should be included in the Fund Assessment.

The third issue is whether the Fund assessment should include directory listings, Federal USF surcharges, and special access charges to end users. ORS submits that the Fund assessments should not include revenues from directory listings, because directory listings are not included in the definition of telecommunications services adopted by the Commission in Order No. 2001-996. However, ORS states its belief that the Fund assessment should include revenues from Federal USF surcharges collected and special

access sales to retail end users in South Carolina. We agree with ORS on both points and so declare.

The fourth issue requiring clarification is the manner in which the USF surcharge is charged to Lifeline customers. While some companies do not assess the USF surcharge on any of the services provided to Lifeline customers, other companies do not assess the USF surcharge on the exchange access line charges for Lifeline customers, but do assess the USF surcharge for other vertical services to which the recipient may subscribe. ORS requests that the Commission issue a Declaratory Order that the USF surcharge should be collected on services provided to a Lifeline customer that exceed the Lifeline credit, for purposes of uniformity and to ensure nondiscriminatory treatment. Again, we agree with ORS and so declare. We think that the delineation proposed by ORS is logical and should allow achievement of the stated goals of uniformity and nondiscriminatory treatment.

The fifth and final issue requiring clarification is whether ORS has the authority to write-off bad debts and remove the corresponding amounts from accounts receivable. The independent auditor, Scott McElveen, L.L.P., recommended that, as part of generally accepted accounting principles, such an allowance for bad debt should be established. ORS also notes that as a result of the write-off, the Fund will experience a shortfall which must be added to the contribution requirement in the following year. This is consistent with Order No. 2001-996, Exhibit A, Paragraph 7, which states that any funding shortfall existing at the end of a Plan year shall be added to the contribution requirement in the following year. In any event, ORS requests that the Commission issue a Declaratory

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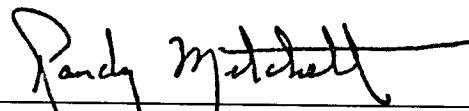
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Order stating that ORS has the necessary authority to remove bad debts from account receivables. We agree that ORS should have this authority, and we so declare.

Accordingly, we have granted ORS' request for a Declaratory Order on each of the five issues proposed and have adopted the ORS positions on each. We trust that our rulings will allow ORS to complete its contemplated adjustments prior to the annual resizing of the Intrastate Universal Service Fund. Further, the SCCTA Petition is held in abeyance and shall be considered at a later date.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Randy Mitchell, Chairman

ATTEST:



G. O'Neal Hamilton, Vice Chairman

(SEAL)